

NSC BRIEFING

9 OCTOBER 1956

BACKGROUND--SUEZ DEVELOPMENTS

- I. Canal Operations: Ships are still moving normally through the canal, with no backlog reported. Several groundings of ships have been reported, due to the October fog season. These have caused transit delays of 1 to 6 hours. US naval observers who transitted the canal recently report that US Navy ships were well treated, maintenance and improvement of canal appeared to be proceeding normally, and all aspects of the canal appeared to be operating smartly.
- A. Since 14 September, when most non-Egyptian employees quit, an average of 38 ships per day have moved through the canal. For the first seven days of October an average of 44 ships passed. This compares with an average of 45 per day before nationalization and an average of 40 per day thereafter.
- B. The Egyptian authorities claim to have a total pilot force of over 200 on duty or in training. Of this number, 120 are described as trainees, and 89 are said to be "fully trained." These figures are probably padded and do not take into account the fact that, even among the trained pilots, relatively few are qualified to guide the larger ships.

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NAVY review(s) completed.

NSA review completed

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II. Egyptian Military Activity: There have been no significant developments in the Egyptian military picture. (See Annex A). The specific whereabouts of the Soviet submarines believed operating in the Mediterranean is not known.

III. Indian Middleman Role:

- A. India's Krishna Menon, after conversations with Nasr in Cairo and Selwyn Lloyd in London, has brought to New York a "compromise" plan on Suez which he probably intends to try to use as a basis for initiating direct negotiations between Egypt and the West.
- B. The plan, despite some flavor of internationalization, does not impair Egypt's basic position of Egyptian control of the canal, and it appears questionable that Britain has agreed to it. However, Menon may feel that the best chance of avoiding the use of force and getting a settlement is to involve the US in discussion of his plan, on the theory that Britain and France will then be unable to ignore it--especially since they have little hope of getting favorable action in the UN Security Council.

C. The plan reportedly calls for joint monthly meetings of representatives of the "Users' Association" and the Egyptian canal authority, which would discuss "mutual problems" (including canal toll charges) and consider or pass on for arbitration complaints by the users of the canal.

1. According to the plan, Egypt would accept three United Nations technicians to assist the Egyptian canal authority in technical operations, and would sign separate free-passage agreements with user nations.
2. Disagreements on compensation to the old canal company shareholders would be referred to arbitration.
3. The plan further calls for the USSR to be included among the permanent members of the "Users' Association", and Eastern European countries and the Arab states representatives among the rotating members.

IV. British Position: Despite signs that London is encouraging India in its attempt at mediation of the Suez dispute, the British have not greatly relaxed their pressure on Egypt in any essentials.

- A. In the economic sphere, the British are counting on the "Users' Association" as a means to legitimize the denial of canal revenues to Nasr. Although the issue of tolls is not likely to be settled in the current London negotiations on SCUA until the outcome of UN deliberations is known, the British have emphasized their view that in no case should Nasr be permitted to receive more than his present 40% share of canal tolls paid.

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